



General Assembly

January Session, 2015

Raised Bill No. 6779

LCO No. 3326



Referred to Committee on VETERANS' AFFAIRS

Introduced by:
(VA)

***AN ACT INCREASING THE EXEMPTION FROM THE INCOME TAX
FOR MILITARY RETIREMENT PAY.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subparagraph (B) of subdivision (20) of subsection (a) of
2 section 12-701 of the general statutes is repealed and the following is
3 substituted in lieu thereof (*Effective from passage and applicable to taxable*
4 *years commencing on or after January 1, 2015*):

5 (B) There shall be subtracted therefrom (i) to the extent properly
6 includable in gross income for federal income tax purposes, any
7 income with respect to which taxation by any state is prohibited by
8 federal law, (ii) to the extent allowable under section 12-718, exempt
9 dividends paid by a regulated investment company, (iii) the amount of
10 any refund or credit for overpayment of income taxes imposed by this
11 state, or any other state of the United States or a political subdivision
12 thereof, or the District of Columbia, to the extent properly includable
13 in gross income for federal income tax purposes, (iv) to the extent
14 properly includable in gross income for federal income tax purposes
15 and not otherwise subtracted from federal adjusted gross income
16 pursuant to clause (x) of this subparagraph in computing Connecticut

17 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
18 extent any additional allowance for depreciation under Section 168(k)
19 of the Internal Revenue Code, as provided by Section 101 of the Job
20 Creation and Worker Assistance Act of 2002, for property placed in
21 service after December 31, 2001, but prior to September 10, 2004, was
22 added to federal adjusted gross income pursuant to subparagraph
23 (A)(ix) of this subdivision in computing Connecticut adjusted gross
24 income for a taxable year ending after December 31, 2001, twenty-five
25 per cent of such additional allowance for depreciation in each of the
26 four succeeding taxable years, (vi) to the extent properly includable in
27 gross income for federal income tax purposes, any interest income
28 from obligations issued by or on behalf of the state of Connecticut, any
29 political subdivision thereof, or public instrumentality, state or local
30 authority, district or similar public entity created under the laws of the
31 state of Connecticut, (vii) to the extent properly includable in
32 determining the net gain or loss from the sale or other disposition of
33 capital assets for federal income tax purposes, any gain from the sale
34 or exchange of obligations issued by or on behalf of the state of
35 Connecticut, any political subdivision thereof, or public
36 instrumentality, state or local authority, district or similar public entity
37 created under the laws of the state of Connecticut, in the income year
38 such gain was recognized, (viii) any interest on indebtedness incurred
39 or continued to purchase or carry obligations or securities the interest
40 on which is subject to tax under this chapter but exempt from federal
41 income tax, to the extent that such interest on indebtedness is not
42 deductible in determining federal adjusted gross income and is
43 attributable to a trade or business carried on by such individual, (ix)
44 ordinary and necessary expenses paid or incurred during the taxable
45 year for the production or collection of income which is subject to
46 taxation under this chapter but exempt from federal income tax, or the
47 management, conservation or maintenance of property held for the
48 production of such income, and the amortizable bond premium for the
49 taxable year on any bond the interest on which is subject to tax under
50 this chapter but exempt from federal income tax, to the extent that
51 such expenses and premiums are not deductible in determining federal

52 adjusted gross income and are attributable to a trade or business
 53 carried on by such individual, (x) (I) for a person who files a return
 54 under the federal income tax as an unmarried individual whose
 55 federal adjusted gross income for such taxable year is less than fifty
 56 thousand dollars, or as a married individual filing separately whose
 57 federal adjusted gross income for such taxable year is less than fifty
 58 thousand dollars, or for a husband and wife who file a return under
 59 the federal income tax as married individuals filing jointly whose
 60 federal adjusted gross income for such taxable year is less than sixty
 61 thousand dollars or a person who files a return under the federal
 62 income tax as a head of household whose federal adjusted gross
 63 income for such taxable year is less than sixty thousand dollars, an
 64 amount equal to the Social Security benefits includable for federal
 65 income tax purposes; and (II) for a person who files a return under the
 66 federal income tax as an unmarried individual whose federal adjusted
 67 gross income for such taxable year is fifty thousand dollars or more, or
 68 as a married individual filing separately whose federal adjusted gross
 69 income for such taxable year is fifty thousand dollars or more, or for a
 70 husband and wife who file a return under the federal income tax as
 71 married individuals filing jointly whose federal adjusted gross income
 72 from such taxable year is sixty thousand dollars or more or for a
 73 person who files a return under the federal income tax as a head of
 74 household whose federal adjusted gross income for such taxable year
 75 is sixty thousand dollars or more, an amount equal to the difference
 76 between the amount of Social Security benefits includable for federal
 77 income tax purposes and the lesser of twenty-five per cent of the Social
 78 Security benefits received during the taxable year, or twenty-five per
 79 cent of the excess described in Section 86(b)(1) of the Internal Revenue
 80 Code, (xi) to the extent properly includable in gross income for federal
 81 income tax purposes, any amount rebated to a taxpayer pursuant to
 82 section 12-746, (xii) to the extent properly includable in the gross
 83 income for federal income tax purposes of a designated beneficiary,
 84 any distribution to such beneficiary from any qualified state tuition
 85 program, as defined in Section 529(b) of the Internal Revenue Code,
 86 established and maintained by this state or any official, agency or

87 instrumentality of the state, (xiii) to the extent allowable under section
 88 12-701a, contributions to accounts established pursuant to any
 89 qualified state tuition program, as defined in Section 529(b) of the
 90 Internal Revenue Code, established and maintained by this state or
 91 any official, agency or instrumentality of the state, (xiv) to the extent
 92 properly includable in gross income for federal income tax purposes,
 93 the amount of any Holocaust victims' settlement payment received in
 94 the taxable year by a Holocaust victim, (xv) to the extent properly
 95 includable in gross income for federal income tax purposes of an
 96 account holder, as defined in section 31-51ww, interest earned on
 97 funds deposited in the individual development account, as defined in
 98 section 31-51ww, of such account holder, (xvi) to the extent properly
 99 includable in the gross income for federal income tax purposes of a
 100 designated beneficiary, as defined in section 3-123aa, interest,
 101 dividends or capital gains earned on contributions to accounts
 102 established for the designated beneficiary pursuant to the Connecticut
 103 Homecare Option Program for the Elderly established by sections 3-
 104 123aa to 3-123ff, inclusive, (xvii) to the extent properly included in
 105 gross income for federal income tax purposes, [fifty per cent of] the
 106 income received from the United States government as retirement pay
 107 for a retired member of (I) the Armed Forces of the United States, as
 108 defined in Section 101 of Title 10 of the United States Code, or (II) the
 109 National Guard, as defined in Section 101 of Title 10 of the United
 110 States Code, as follows: Fifty per cent of such income for the taxable
 111 year commencing January 1, 2015; sixty per cent of such income for the
 112 taxable year commencing January 1, 2016; seventy per cent of such
 113 income for the taxable year commencing January 1, 2017; eighty per
 114 cent of such income for the taxable year commencing January 1, 2018;
 115 ninety per cent of such income for the taxable year commencing
 116 January 1, 2019; and one hundred per cent of such income for taxable
 117 years commencing on or after January 1, 2020, (xviii) to the extent
 118 properly includable in gross income for federal income tax purposes
 119 for the taxable year, any income from the discharge of indebtedness in
 120 connection with any reacquisition, after December 31, 2008, and before
 121 January 1, 2011, of an applicable debt instrument or instruments, as

those terms are defined in Section 108 of the Internal Revenue Code, as amended by Section 1231 of the American Recovery and Reinvestment Act of 2009, to the extent any such income was added to federal adjusted gross income pursuant to subparagraph (A)(x) of this subdivision in computing Connecticut adjusted gross income for a preceding taxable year, and (xix) to the extent not deductible in determining federal adjusted gross income, the amount of any contribution to a manufacturing reinvestment account established pursuant to section 32-9zz in the taxable year that such contribution is made.

Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of section 12-701 of the general statutes, as amended by section 50 of public act 14-47, is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015, and applicable to taxable years commencing on or after January 1, 2015*):

(B) There shall be subtracted therefrom (i) to the extent properly includable in gross income for federal income tax purposes, any income with respect to which taxation by any state is prohibited by federal law, (ii) to the extent allowable under section 12-718, exempt dividends paid by a regulated investment company, (iii) the amount of any refund or credit for overpayment of income taxes imposed by this state, or any other state of the United States or a political subdivision thereof, or the District of Columbia, to the extent properly includable in gross income for federal income tax purposes, (iv) to the extent properly includable in gross income for federal income tax purposes and not otherwise subtracted from federal adjusted gross income pursuant to clause (x) of this subparagraph in computing Connecticut adjusted gross income, any tier 1 railroad retirement benefits, (v) to the extent any additional allowance for depreciation under Section 168(k) of the Internal Revenue Code, as provided by Section 101 of the Job Creation and Worker Assistance Act of 2002, for property placed in service after December 31, 2001, but prior to September 10, 2004, was added to federal adjusted gross income pursuant to subparagraph

155 (A)(ix) of this subdivision in computing Connecticut adjusted gross
 156 income for a taxable year ending after December 31, 2001, twenty-five
 157 per cent of such additional allowance for depreciation in each of the
 158 four succeeding taxable years, (vi) to the extent properly includable in
 159 gross income for federal income tax purposes, any interest income
 160 from obligations issued by or on behalf of the state of Connecticut, any
 161 political subdivision thereof, or public instrumentality, state or local
 162 authority, district or similar public entity created under the laws of the
 163 state of Connecticut, (vii) to the extent properly includable in
 164 determining the net gain or loss from the sale or other disposition of
 165 capital assets for federal income tax purposes, any gain from the sale
 166 or exchange of obligations issued by or on behalf of the state of
 167 Connecticut, any political subdivision thereof, or public
 168 instrumentality, state or local authority, district or similar public entity
 169 created under the laws of the state of Connecticut, in the income year
 170 such gain was recognized, (viii) any interest on indebtedness incurred
 171 or continued to purchase or carry obligations or securities the interest
 172 on which is subject to tax under this chapter but exempt from federal
 173 income tax, to the extent that such interest on indebtedness is not
 174 deductible in determining federal adjusted gross income and is
 175 attributable to a trade or business carried on by such individual, (ix)
 176 ordinary and necessary expenses paid or incurred during the taxable
 177 year for the production or collection of income which is subject to
 178 taxation under this chapter but exempt from federal income tax, or the
 179 management, conservation or maintenance of property held for the
 180 production of such income, and the amortizable bond premium for the
 181 taxable year on any bond the interest on which is subject to tax under
 182 this chapter but exempt from federal income tax, to the extent that
 183 such expenses and premiums are not deductible in determining federal
 184 adjusted gross income and are attributable to a trade or business
 185 carried on by such individual, (x) (I) for a person who files a return
 186 under the federal income tax as an unmarried individual whose
 187 federal adjusted gross income for such taxable year is less than fifty
 188 thousand dollars, or as a married individual filing separately whose
 189 federal adjusted gross income for such taxable year is less than fifty

190 thousand dollars, or for a husband and wife who file a return under
 191 the federal income tax as married individuals filing jointly whose
 192 federal adjusted gross income for such taxable year is less than sixty
 193 thousand dollars or a person who files a return under the federal
 194 income tax as a head of household whose federal adjusted gross
 195 income for such taxable year is less than sixty thousand dollars, an
 196 amount equal to the Social Security benefits includable for federal
 197 income tax purposes; and (II) for a person who files a return under the
 198 federal income tax as an unmarried individual whose federal adjusted
 199 gross income for such taxable year is fifty thousand dollars or more, or
 200 as a married individual filing separately whose federal adjusted gross
 201 income for such taxable year is fifty thousand dollars or more, or for a
 202 husband and wife who file a return under the federal income tax as
 203 married individuals filing jointly whose federal adjusted gross income
 204 from such taxable year is sixty thousand dollars or more or for a
 205 person who files a return under the federal income tax as a head of
 206 household whose federal adjusted gross income for such taxable year
 207 is sixty thousand dollars or more, an amount equal to the difference
 208 between the amount of Social Security benefits includable for federal
 209 income tax purposes and the lesser of twenty-five per cent of the Social
 210 Security benefits received during the taxable year, or twenty-five per
 211 cent of the excess described in Section 86(b)(1) of the Internal Revenue
 212 Code, (xi) to the extent properly includable in gross income for federal
 213 income tax purposes, any amount rebated to a taxpayer pursuant to
 214 section 12-746, (xii) to the extent properly includable in the gross
 215 income for federal income tax purposes of a designated beneficiary,
 216 any distribution to such beneficiary from any qualified state tuition
 217 program, as defined in Section 529(b) of the Internal Revenue Code,
 218 established and maintained by this state or any official, agency or
 219 instrumentality of the state, (xiii) to the extent allowable under section
 220 12-701a, contributions to accounts established pursuant to any
 221 qualified state tuition program, as defined in Section 529(b) of the
 222 Internal Revenue Code, established and maintained by this state or
 223 any official, agency or instrumentality of the state, (xiv) to the extent
 224 properly includable in gross income for federal income tax purposes,

225 the amount of any Holocaust victims' settlement payment received in
 226 the taxable year by a Holocaust victim, (xv) to the extent properly
 227 includable in gross income for federal income tax purposes of an
 228 account holder, as defined in section 31-51ww, interest earned on
 229 funds deposited in the individual development account, as defined in
 230 section 31-51ww, of such account holder, (xvi) to the extent properly
 231 includable in the gross income for federal income tax purposes of a
 232 designated beneficiary, as defined in section 3-123aa, interest,
 233 dividends or capital gains earned on contributions to accounts
 234 established for the designated beneficiary pursuant to the Connecticut
 235 Homecare Option Program for the Elderly established by sections 3-
 236 123aa to 3-123ff, inclusive, (xvii) to the extent properly includable in
 237 gross income for federal income tax purposes, [fifty per cent of] the
 238 income received from the United States government as retirement pay
 239 for a retired member of (I) the Armed Forces of the United States, as
 240 defined in Section 101 of Title 10 of the United States Code, or (II) the
 241 National Guard, as defined in Section 101 of Title 10 of the United
 242 States Code, as follows: Fifty per cent of such income for the taxable
 243 year commencing January 1, 2015; sixty per cent of such income for the
 244 taxable year commencing January 1, 2016; seventy per cent of such
 245 income for the taxable year commencing January 1, 2017; eighty per
 246 cent of such income for the taxable year commencing January 1, 2018;
 247 ninety per cent of such income for the taxable year commencing
 248 January 1, 2019; and one hundred per cent of such income for taxable
 249 years commencing on or after January 1, 2020, (xviii) to the extent
 250 properly includable in gross income for federal income tax purposes
 251 for the taxable year, any income from the discharge of indebtedness in
 252 connection with any reacquisition, after December 31, 2008, and before
 253 January 1, 2011, of an applicable debt instrument or instruments, as
 254 those terms are defined in Section 108 of the Internal Revenue Code, as
 255 amended by Section 1231 of the American Recovery and Reinvestment
 256 Act of 2009, to the extent any such income was added to federal
 257 adjusted gross income pursuant to subparagraph (A)(x) of this
 258 subdivision in computing Connecticut adjusted gross income for a
 259 preceding taxable year, (xix) to the extent not deductible in

260 determining federal adjusted gross income, the amount of any
 261 contribution to a manufacturing reinvestment account established
 262 pursuant to section 32-9zz in the taxable year that such contribution is
 263 made, and (xx) to the extent properly includable in gross income for
 264 federal income tax purposes, for the taxable year commencing January
 265 1, 2015, ten per cent of the income received from the state teachers'
 266 retirement system, for the taxable year commencing January 1, 2016,
 267 twenty-five per cent of the income received from the state teachers'
 268 retirement system, and for the taxable year commencing January 1,
 269 2017, and each taxable year thereafter, fifty per cent of the income
 270 received from the state teachers' retirement system.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to taxable years commencing on or after January 1, 2015</i>	12-701(a)(20)(B)
Sec. 2	<i>July 1, 2015, and applicable to taxable years commencing on or after January 1, 2015</i>	12-701(a)(20)(B)

VA *Joint Favorable*